APIR Code: ECL0012AU

Ellerston Overlay Australian Share Fund (OASF)

Performance Report, April 2022

Investment Objective

The Investment objective for the Ellerston Overlay ASF is to outperform the S&P/ASX 200 Accumulation Index (Benchmark).

Investment Strategy

The Fund uses a benchmark-independent, high conviction approach that looks beyond investing in the Top 20 stocks in order to capture the neglected opportunities created by under-researched stocks in the broader Australian market.

Key Information

Class Inception**	1 July 2011
Portfolio Manager	Chris Kourtis
Application Price	$1.3327
Net Asset Value	$1.3294
Redemption Price	$1.3261
Liquidity	Weekly
No Stocks	22
Management Fee	0.90% p.a.
Performance Fee	15% p.a. of outperformance
Buy/Sell Spread	0.25% on application 0.25% on redemption

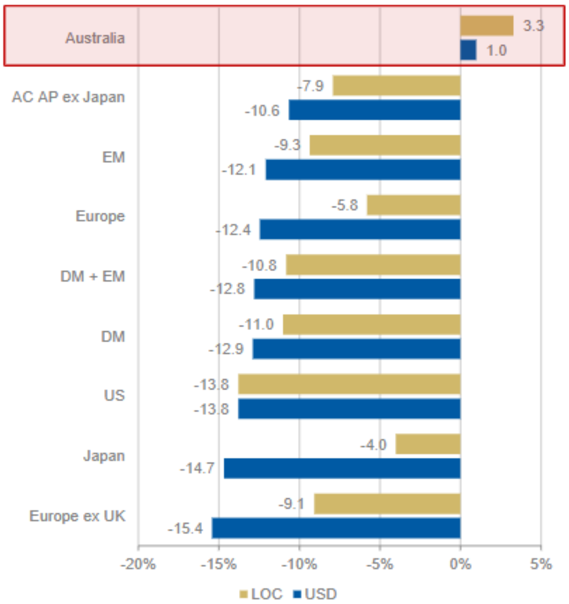
Performance Class A(%)	1 Month	3 Months	FYTD	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)**
Net^	-0.63	3.67	10.28	15.85	22.08	9.58	8.20
Benchmark*	-0.85	8.24	5.26	10.16	20.02	9.42	9.35

^Net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance.
*The benchmark was changed from the S&P/ASX 200 Accumulation Ex REITS Index to the S&P/ASX 200 Accumulation Index on 1 July 2012

MARKET OVERVIEW

Global markets tanked in April, succumbing to higher interest rates and inflation, ongoing supply chain disruptions, lockdowns in China and no end in sight to the Russia/Ukraine war. In the US, the S&P500 closed down 8.7%, European markets posted a 2.1% fall and Asian markets delivered negative returns, with China the worst performer in the region.

MSCI Global Country/Regional Indices Performance - CYTD



Source: Morgan Stanley.

USA

Economic indicators during the month were on the negative side. The unemployment rate was unexpectedly lower at 3.6%, the March core CPI at +0.3% MoM (+6.5% YoY) was the biggest annual growth since August 1982, whilst the headline number at +8.5% YoY, was the highest level since December 1981. To compound the data, March retail sales rose 0.5%, compared to February gains of 0.8%, with January revised up to 5.1%. The big negative surprise was the 1Q GDP print, which posted a 1.4% decline compared to expectations of +1.0%, the result of weaker inventories and trade, however, it disguised the strength in domestic demand. Private final domestic demand (consumption plus investment) rose healthily, accelerating to 3.7% from 2.6%.

US equities had a torrid month as the prospect of larger rate hikes finally sunk in, with the Dow Jones Industrial Average down 4.8%, the S&P 500 falling 8.7% and the NASDAQ Composite Index closing 13.2% lower, its worst month since 2008 during the eye of the GFC storm. The NASDAQ has now dropped 21% for the CYTD and is in bear market territory. As for the US 1Q reporting season, most of the FANMAG companies have disappointed, with the worst being COVID beneficiary, Netflix, which lost 200,000 subscribers for the first time in more than 10 years and gave a weaker 2Q subscriber growth and financial guidance, resulting in a mind-snapping 35% fall on the day. Netflix is now down 67% CYTD. Alphabet was also a COVID casualty, with its YouTube business disappointing and Amazon.com tanked 14% on the last trading day of the month with a weaker result and guidance, highlighting inflationary pressures, a slump in online shopping and excess capacity. Amazon posted its first loss since 2015, attributed to revenue growth which rose by 7% for the March Quarter, the slowest pace in two decades, supply chain woes and a hit from its stake in EV maker, Rivian Automotive, which has seen its stock plunge by over 65% so far this year.

Europe

In Europe, economic activity was stronger in April as a rebounding service sector, benefitting from loosened COVID-19 restrictions, helped compensate for a near stalling of manufacturing output. The Eurozone Composite PMI for April came in at 55.8 from 54.9 in March, bettered expectations and was the strongest reading in seven months.

The Euro STOXX50 Index finished the month down 2.1%, and among the major exchanges, Germany's DAX fell 3.0%, France's CAC 40 was 1.4% lower and the UK's FTSE 100 was the standout, closing up 0.8%. This marked a continuation of negative returns after March, the worst quarter for European stocks since 1998, with the STOXX50 finishing down 10.8% CYTD.

Asia

China's Omicron outbreak dampened growth momentum, with March Industrial production lower at 5.0% YoY and fixed asset investment down to 7.1% YoY, both better than consensus expectations. Retail sales, however, were worse than expected down 3.5% YoY, worse than expected. Rolling lockdowns in Shanghai and other major regions in China are certainly weakening demand growth and raising the risks of further ongoing supply chain disruptions. Chinese policy makers are trying to address these issues with stimulatory measures and are taking steps to implement closed-loop production systems to stem logistical bottlenecks.

Asian equity markets were down with the Hang Seng falling 3.7%, the Nikkei 225 retreating 3.5% (not helped by the continued weakness in the yen), India's SENSEX fell 2.5% and the Korean KOSPI finished 2.3% lower. The laggard was China's SSE, down 5.5% (the benchmark index is now down 16.4% CYTD).

Commodities

Commodity prices remained elevated, as additional sanctions on Russia tightened supply even further. So far, moves by the US and IEA members to release oil from strategic reserves has barely affected prices, with the Brent resilient at US$109/barrel. Thermal coal ended the month up 16% to US$299/tonne, but gas prices retreated from near record levels in Europe and were lower in Asia - the JKM spot LNG price ended 30% lower at US$25/mmbtu. Iron ore retreated 10% to US$142/tonne and coking coal ended flat at US$518/tonne, despite the Chinese lockdowns impacting domestic steel production. The base metals complex was softer, albeit at near record highs, with the major metals; nickel flat, copper down 6% and aluminium lagging, down 13%. Gold performed relatively better and acted as a safe haven and inflation hedge, edging down 2% to US$1,897/ounce, despite the large move in bond rates.

Bonds

Global bond rates continued to rise in April, with the US 10-year treasury yield up 59bps to 2.93%. The market is now pricing in four 50bps hikes by the Fed, followed by another two 25bps rises by the end of the year, around 100bps higher than last month. Not surprisingly, the Australian 10-year bond yield also squeezed higher, rising 29 bps to 3.12%, with the bond market believing that the RBA is way behind the curve.

On the economic front, Australia's consumer price index rose 5.1% in the March quarter, compared with a year prior and higher than forecasts of 4.6%. This follows the 3.5% increase in the December quarter. The headline inflation result was the highest since the 10% goods and services tax was introduced in 2000. With underlying inflation at 3.7%, well above the RBA's 2% to 3% target range (the highest since 2009), the likelihood of imminent rates hikes has ratcheted up. The pending Federal Government election on May 21st should have no bearing on the RBA's decision.

At the time of writing the RBA announced its decision to increase the official interest rate for the first time since 2010 by 25bps to 0.35%, 10bps higher than expected.

The AUD was 5% weaker at US$0.71, given the US dollar strength driven by the expectation of more aggressive rate hikes by the Fed versus the RBA.

Australia

In April, the S&P/ASX 200 Accumulation Index finished 0.85% lower, again significantly outperforming its global peers. The Healthcare sector (up 2.4%, driven by Ramsay Health care's 24.5% rise post the takeover proposal by KKR at $88 cash) was the highest contributor to the Index's performance, adding 20bps, followed by Industrials (up 3.5%, with Amcor 10.4% higher), contributing 18bps and then Consumer Staples (up 3.3%, with defensive Woolworths delivering 3.4%) adding 15bps. The bottom three contributing sectors were Materials (-107 points) being the worst, followed by Information Technology (-37 points) and Consumer Discretionary (-22 points).

The best performing sub-index locally was again the ASX 200 A-REIT Index, which despite higher 10 year bond yields (as an interest sensitive sector), closed up 0.6%, outperforming the broader benchmark, whilst not surprisingly, the major underperformer was the ASX 200 Resources index, which closed down 4.2%.

For the month, the top stocks that made a positive contribution to the Index's return were: Ramsay Health Care (+13 points), Transurban Group (+11 points), CSL (+11 points), Goodman Group (+8 points), and Fortescue Metals (+8 points). Conversely, the top five stocks detracting from the Index's performance were: BHP Group (-82 points), Block Inc. (-17 points), CBA (-15 points), Rio Tinto (-10 points) and Aristocrat Leisure (-9 points).

COMPANY SPECIFIC NEWS

The Market Hits

Ramsay Health Care (RHC +24.5%)

RHC shares jumped sharply this month after the company received a $20 billion takeover bid from private equity giant KKR and its Co-led consortium. The cash offer at $88.00 per share is pitched at an implied 13.0x EV/EBITDA multiple, versus the 10.0x Ramsay was trading at prior to the bid, with the shares at $64.39. The offer was obviously well received by shareholders, including (and importantly) the Ramsay Foundation, which holds a material 18.8% stake.

RHC also provided an update late in the month reporting 3Q22 revenue $3,449m (up 5.7%), but 3Q22 NPAT of only $42.7m (was down a staggering 59%). 3Q COVID-19 disruptions were widespread, particularly in Australia (its main earnings generator), where case surges led to elective surgery restrictions, high rates of staff absenteeism and material cancellations. Its UK operations generated 3Q net losses, but the losses improved on previous quarters. Inflation and COVID related costs pressures continue weigh on margins in the near term. It would have been interesting to observe how this takeover target would have traded in light of such a dismal 9 months profit performance. If successful, the bid would rank as the biggest private equity-backed buyout of any Australian company.

GrainCorp (GNC +21.6%)

GNC moved from strength to strength, logging another solid month after posting a massive surprise profit upgrade on April 8th. Hot on the heels of a recent upgrade, GNC lifted its FY22 underlying EBITDA guidance range to $590-670m, blowing analyst forecasts out of the water. The company is benefiting from the sustained lift in global demand for grain and oilseeds, driving higher commodity prices, exacerbated by the supply tightness in the Black Sea due to the Russia/Ukraine conflict - a material tailwind on top of what was already expected to be another bumper domestic east coast crop year.

AMP (AMP +20.2%)

After concluding its dual-track process, AMP rallied post the announcement of the sale of Collimate Capital's real estate and domestic infrastructure equity business to Dexus and the sale of its International Equity Infrastructure business to Digital Bridge. This appears to be a much better outcome than was previously implied by its original de-merger proposal. The stated price of the transactions implied $2bn of value for Collimate, including infra debt and contingent cash of $480m ($2.5bn in total value). AMP retains 25% of PCCP (a US-based real estate investment manager) and sponsor stake in the PCCP fund, with a book value of $208m. At their recent strategy day, AMP indicated standalone near-term Collimate guidance for EBIT margins of 20-25% on ~$415m of revenues, aiming for longer term 30-35% margins, implying long-term cash NPAT of ~$95m. The company was however intending to allocate 12% of shares to staff, coupled with group costs of ~$25m after tax and listing costs of $10m p.a., indicating a total NPAT of ~$60m. So the sale appears to have been done at favourable terms. AMP also stated that their group distributable surplus capital position will improve to a pro-forma excess of $1.765bn, excluding future earn-outs worth up to $480m (so comfortably above regulatory requirements). Long suffering AMP investors welcomed the prospect of capital returns, driving the share price appreciably higher.

Viva Energy Group (VEA +19.6%)

VEA reported a positive 1Q trading update, achieving strong refining margins and commercial fuel growth of 13% YoY, despite mobility restrictions from the COVID-19 resurgence and flooding in NSW and QLD. Their Geelong refining margin increased 40% YoY to US$8.30 per barrel. The share price reacted positively to the market release, especially to the specific disclosure of March's refining margin at US$11.50 per barrel, which reflected the rise in regional refining crack spreads and the continued to rise in the month April.

Whitehaven Coal (WHC +18.6%)

WHC reported an in-line result, with much improved production and realised coal prices (+50%) for the March quarter. After reaching a peak of US$440/t, thermal coal prices retraced to US$259/t by the end of March. However, in April, Europe and Japan announced official bans on Russian coal, while some South Korean utilities have limited the purchase of Russian coal. This has placed significant pressure on the high calorific value market which Australia and WHC benefit from. Strong thermal coal prices, together with WHC maintaining FY22 guidance was enough to push its elevated stock price much higher.

Flight Centre (FLT +14.7%) / Kelsian Group (KLS +12.5%)

Reopening travel players FLT and KLS rallied this month as mobility trends edge closer to an "endemic" normal. Tourism conditions continue to normalise, which support capacity levels and the near term cases for both businesses. At a recent analyst presentation, FLT flagged consultant productivity is now tracking well above historic pre-pandemic levels and announced that the company is immediately looking to recruit 500 leisure travel advisors to meet current and future anticipated demand.

Pendal Group (PDL +14.2%)

Following a period of sustained share price weakness and continued de-rating, PDL shares shot up after Perpetual (PPT) launched a surprise, opportunistic non-binding proposal for an indicative value of $6.23 per share, or a 39% premium to last close. The combination of US entities, improved defensiveness from cost synergies and SRI capabilities looks to be the key drivers of the deal. PDL's board subsequently rejected PPT's proposal, of course citing significant under-valuation of the offer. Not unexpectedly, PDL also announced a $100m share buyback to support the share price. Midway through the month, PDL also released 2Q22 FUM and flows to Mar-22 that showed an improvement in fund flows from the previous quarter (which exhibited areas of weakness). FUM was obviously impacted by weak markets. The market awaits PPT's next move, where it is anticipated that there is further wriggle room for a higher bid.

AGL Energy (AGL +12.4%)

After rejecting a takeover offer in the previous month, AGL finished 5% higher than the Brookfield Consortium's offer price. AGL benefitted from the increase in the forward electricity curves, reflecting a variety of factors - most importantly, the significant rise in global coal and gas prices and the declining reliability of the coal fleet. Ironically, AGL's Loy Yang A coal fired power station in Victoria had one of its four units taken out of service due to an electrical fault with the generator during the month. The outage is very serious and it is not anticipated that it will come back on line till August 1st.

NIB Holdings (NHF +11.3%)

The relative out-performance of defensive stocks and the line of sight to Australia's international border re-opening to students, pushed NHF higher in April. Prior to the pandemic, NHF's international inbound health insurance division contributed to group profit. Due to a lack of sufficient scale and a run of claims, the division turned to a loss making division in FY21 and is expected to be in FY22. Recent data shows that student visa holders have started to pick up, spiking to ~340k at the end of March from ~300k at the end of 2021, after falling from ~550k in March 2020.

The Market Misses

EML Payments (EML -46.8%)

EML shares fell off a cliff in April, tumbling 38% intraday following an 8% downgrade to their FY22 EBITDA guidance. The downgrade was driven by headwinds faced by the company's European operations from a more persistent and tougher than anticipated regulatory environment, causing operational execution issues and impacting the launch of their new programs.

Megaport (MP1 -37.6%)

Former tech darling, MP1, sold off sharply in April after providing a very sluggish third quarter update. Revenues slowed to 5% growth (cadence has historically been double digit growth) in the quarter, despite having flagged 3Q was off to a strong start at the previous quarter's result. The slowdown was primarily driven by a delay in the ramp up of their indirect sales channel, disappointing growth in direct sales in APAC, and FX headwinds.

Life360 (360 -31.7%)

360, the San Francisco-based device tracking company, has been under pressure since last November. This month, the disappointment stemmed from the decision to pause their dual listing process in the US due to the broad rotation away from tech stocks. The company's cash burn rate also unsettled investors, dropping US$37.8m in net cash through operating activities versus US$11.7m in the December 2021 quarter. In February, Life360 was on our misses list after the stock dropped 46% the day the company reported 1H22 results - despite results being pre-reported in January. Trading had been shadowed by allegations Apple faces on their direct competitor product, AirTag, which has reportedly been used for stalking/criminal purposes, negatively impacting both Apple and Life360's sales. CYTD 360 is now down 58%.

Tyro Payments (TYR -28.7%)

Payment systems company Tyro, slid to 52 week lows in April as weekly transaction volumes remained subdued, continuing a 6-week long underwhelming trend. Well flagged in our above (and previous) commentary, the profitless tech sector remains highly volatile but under further pressure. Maintaining growth rates to support their frothy multiples is paramount and Tyro's slowing volumes has left investors more sceptical of the company's ability to continue their growth cadence in the face of increased investment from competitors and a diminishing long term upside case from the transition from cash to cards.

Zip Co (ZIP -26.3%) / Block Inc. (SQ2 -21.7%)

In April's NASDAQ "deep dive", technology payments stocks collectively fell. ZIP's 3Q trading update failed to excite, with top-line growth below analyst expectations, highlighting that credit losses increased outside of its target range during the quarter. It certainly wasn't the update that shareholders who participated in the recent $149m institutional capital raise at $1.90 per share only two months ago wanted to hear, which is now 42% underwater.

It was a no news month for SQ2 (previously Afterpay) which reports its 1Q results in May. SQ2 is the company which finally consummated the acquisition of Afterpay (APT) in January 2022. Shareholders who voted in favour of the scheme in December 2021 and received SQ2 shares, when the APT share price was A$95 (equivalent to a $253/share SQ2 price on a 0.375 conversion ratio) before the vote and held onto their SQ2 shares, have seen their stock fall 43% since.

Liontown Resources (LTR -22.1%) / AVZ Minerals (AVZ -19.8%) / NOVONIX (NVX -15.6%)

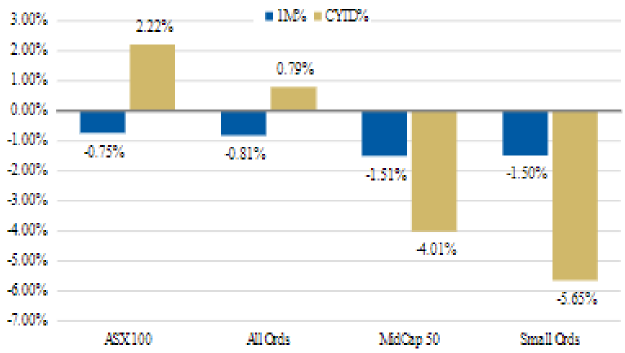
Battery materials companies were under pressure during the month in a "risk off" environment which encompassed EV musketeer Tesla, which fell 19% as well as lithium carbonate prices which fell 11% in China. The three fledgling battery material developers above got caught in the downdraft, faring worse than their producing peers.

FUND PERFORMANCE

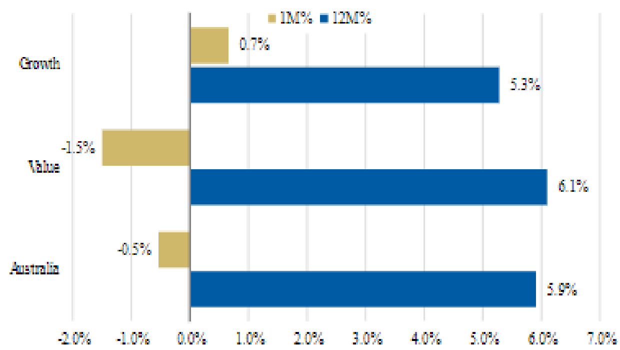
In a market where defensive stocks did relatively well, the portfolio's more defensive positioning has so far been vindicated. The Fund fell 0.54%, during the month, better than the market's decline of 0.85%. This brings the Fund's FYTD performance to a credible +11.28%, comfortably ahead of the benchmark return of +5.26%.

The US Fed's more hawkish stance and geopolitical tensions resulted in another month of sharp rises in bond yields and with it, another period of wild intra-day and intra-month swings. However in Australia, the dispersion of returns and volatility was far more restrained than in the previous month. Large Cap stocks continued to outperform (namely utilities, defensive industrials and consumer staples) relative to their Mid and Small Cap counterparts. Utilities (led by AGL and Origin Energy) were easily the best performing, followed by Industrials (Transurban and Amcor) and Consumer Staples (Woolworths and Coles). Consumer Discretionary and, for a change, Materials were two of the three worse performing sectors. Information Technology, down 10.4% was the worst (with EML Payments, down 46.8%, being awarded the wooden spoon).

Mid-Caps and Smalls still lagging. Large Caps still lead CYTD

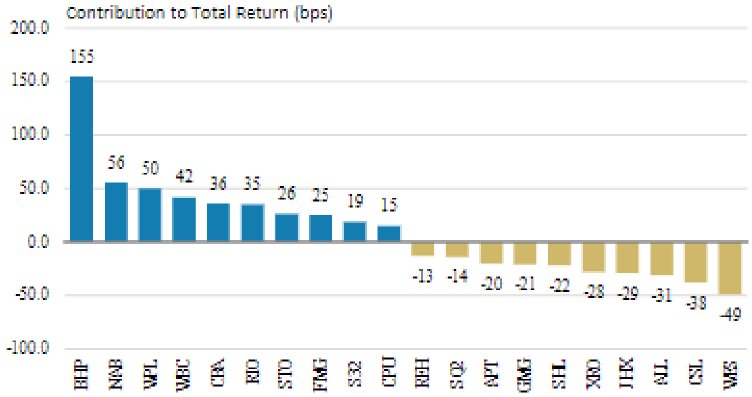


Growth outpaced Value in April



Source: Morgan Stanley.

Top/Bottom 10 Stock Contribution to Benchmark Performance (TR) – CYTD



Source: Morgan Stanley.

Returns^ (%)	*Gross*	*Benchmark**	*Excess*	*Net*
1 Month	-0.54	-0.85	0.32	-0.63
3 Months	3.95	8.24	-4.30	3.67
2022 FYTD	11.28	5.26	6.02	10.28
1 Year	17.11	10.16	6.95	15.85
2 Years (p.a.)	23.43	20.02	3.41	22.08
3 Years (p.a.)	10.76	9.42	1.35	9.58
5 Years (p.a.)	8.45	8.81	-0.36	7.36
7 Years (p.a.)	7.73	7.94	-0.22	6.70
10 Years (p.a.)	10.01	9.90	0.10	8.90
*Since inception (p.a.)***	9.34	9.35	-0.01	8.20

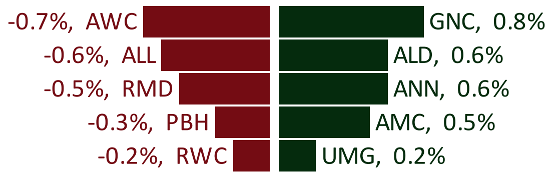
^The return figures are calculated using the redemption price for Class A Units and are and are net of fees and expenses. Returns are also calculated on the basis that distributions are reinvested. Returns of the Fund may include audited and un-audited results. Past performance is not a reliable indicator of future performance.

* The benchmark was changed from the S&P/ASX 200 Accumulation Ex REITS Index to the S&P/ASX 200 Accumulation Index on 1 July 2012.

** Since Inception is 1 July 2011.

Month of April Attribution

Securities Held



Securities Not Held

Source: Ellerston Capital.

The main positive contributors to this month's performance were overweight positions in: GrainCorp (GNC +21.6%), Ampol (ALD +10.5%), Ansell (ANN + 6.0%), Amcor (AMC +10.4%) and United Malt (UMG +10.1%).

Zero holdings in large cap stocks that underperformed also helped, including Block (SQ2 -21.7%) and Rio Tinto (RIO -5.3%).

The main detractors to performance for the month were overweight positions in: Alumina (AWC -10.0%), Aristocrat Leisure (ALL -8.3%), ResMed (RMD -10.1%), PointsBet Holdings (PBH -20.6%) and Reliance Worldwide (RWC -7.0%).

Not holding the following shares that significantly outperformed the broader market and somewhat constrained returns were: Ramsay Health Care (RHC +24.5%).

FUND ACTIVITY

During the month, the Fund took profits in Deterra Royalties and GrainCorp after very strong recent performances. GrainCorp has been an absolute ripper and has again significantly upgraded its guidance, catching analysts napping. We also culled the position in APM following the strong re-bound off its $2.55 lows as the shares headed back towards the $3.25 - $3.30 range.

We re-deployed the capital to further strengthen the holdings in Amcor, Ansell, Orica and United Malt.

During the month we also profitably exited Northern Star, Origin Energy and sold the residual holding in Suncorp.

NEW STOCKS ADDED	STOCKS EXITED
• None	• Northern Star Resources
	• Origin Energy
	• Suncorp Group

INCREASED	DECREASED
• Amcor	• APM Human services
• Ansell	• Deterra Royalties
• Orica	• GrainCorp
• United Malt	

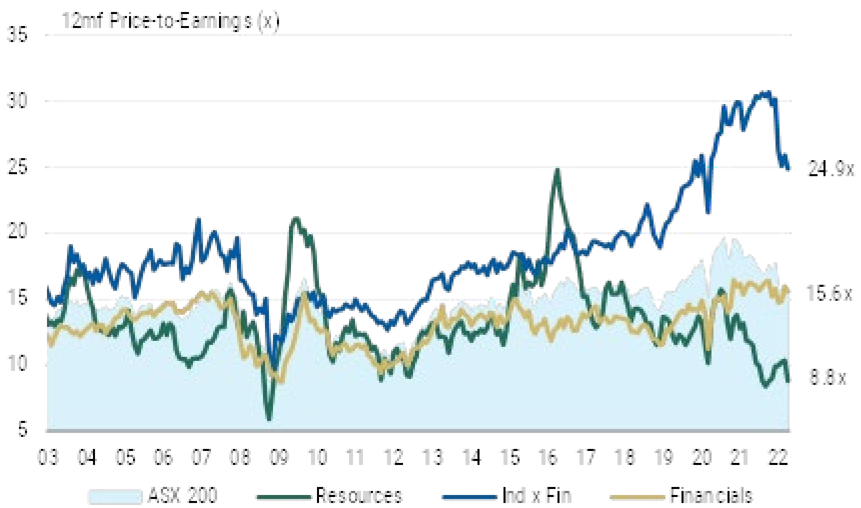
FUND STRATEGY AND OUTLOOK

As we have stated in recent communications, given the tumultuous geopolitical events, lockdowns in China and prolonged supply chain challenges (just to mention a few), rising interest rates will heighten volatility and shift perceptions of risk. This was experienced again in April and will no doubt persist for some time. It seems obvious that no amount of Government or Central Bank Intervention will remedy the supply side shocks. This is a function of under investment for over a decade and the complacency of "just in time" inventory management. Those days are HISTORY!

The debate on the Aussie banks this year has focused largely on a 'buy the banks for rate leverage' argument. While we understand this contention, it is based on the likely invalid phrase "all-else-equal". ANZ's first half 2022 result was a clear miss at the Pre-Provision Profit line, with negative jaws. The CEO and CFO further fuelled the debate, stating that cost inflation and competition will offset any potential upside from higher official rates. We are in this camp and fully concur. The market had until their first half update held ANZ to its $8bn 'cost ambition' guidance provided back in 2018. Fast forward to now, ANZ has officially abandoned this target. Just as a reminder, ANZ has run-the-bank costs at $7.4bn and with inflation pressures, absolute cost reduction will be very difficult. Additionally, ANZ spends ~$1.7bn on investment spend. While the regulatory and compliance component is peaking, investment to turnaround the bank and stay competitive is an ongoing process. The market will no doubt revise up its cost base significantly in FY23E and in FY24E. We would expect cost pressures to be prevalent across the banking sector. Accordingly, we remain zero weight Banks.

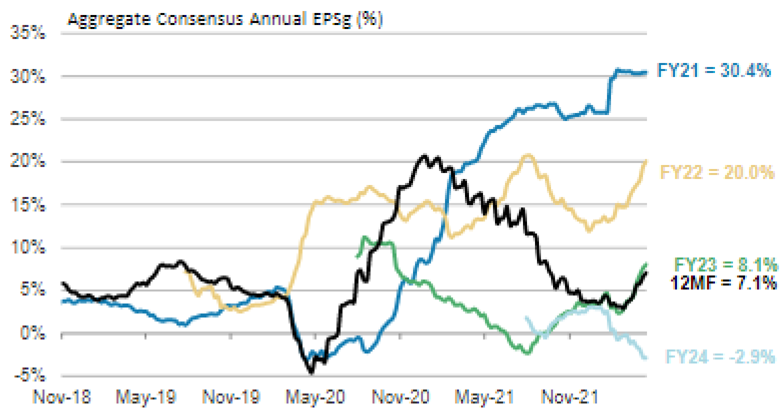
Valuations have recently adjusted lower, but not low enough, with Industrials ex Financials now at 25x, whilst outer-year earnings growth expectations stay anchored in the low-single-digit territory.

The 12M forward PE of the Industrials ex-Financials has Fallen from 30.2x to 24.9x



Source: Morgan Stanley.

Annual Consensus EPS Growth Trends FY21-24



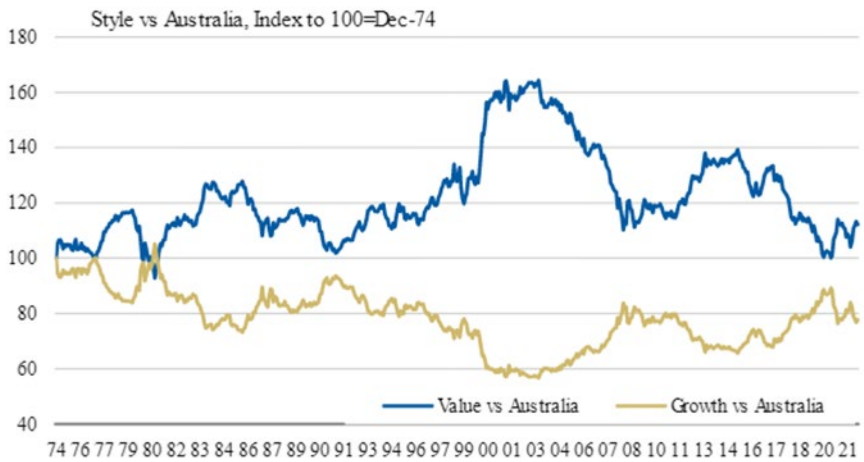
Source: Morgan Stanley Research.

Investor concern about recession risks have increased this month as commodity price shocks, heightened geopolitical risks, rampant inflation and hawkish central banks cloud the growth outlook, driving an inversion in the yield curve. The yield curve (2yr-10yr rates) has seen a flattening in recent months and is now at time of writing slightly inverted for the first time since 2019, when the Fed's last hiking cycle came to an abrupt end (as US growth concerns mounted). Of more concern, is the rolling lockdowns in Shanghai and other major regions in China which are certainly weakening demand growth and raising the risks of further ongoing supply chain disruptions. As mentioned earlier, Chinese policy makers are trying to address these issues with stimulatory measures and are taking steps to implement closed-loop production systems to stem logistical bottlenecks. However, when set against a backdrop of a strict COVID management policy aiming to stem a transmissible variant, the effectiveness of these measures could be quite muted.

The secular underperformance of Value to Growth since the GFC has been synonymous with low inflation and extremely accommodative monetary policy, negative real and absolute interest rates, but this has played out and has reversed.

Growth is no longer a one way bet!

Value/Growth Relative to MSCI Australia



Source: Morgan Stanley

The investment climate remains murky and we are in un-chartered waters, but we believe that the portfolio is well positioned against the above backdrop. We have deliberately been moving more defensive (eg the introduction of Amcor as a large active overweight in March). What is certain is that rising interest rates should continue to weigh heavily on the extreme growth at any price and tech-heavy unprofitable names. This is an area where we have remained consistently underweight from a portfolio construction and philosophical perspective. We have stayed true to label through and through.

Some stocks in the portfolio are still out of favour with the market, mostly due to short term earnings pressure caused by supply chain and lingering COVID-19 dislocations. We believe that these unloved or mispriced stocks continue to trade at very attractive valuations and we are sticking with them and selectively strengthening those holdings.

We continue to aggressively pivot where necessary to take advantage of sentiment driven mispricing and dislocations in the current equity market volatility. Volatility will remain high - strap the helmet firmly on!!!

To summarise your portfolio's positioning:

1. Quality Franchises, Growth at Reasonable, Attractive Valuations

Solid companies with strong/leading market positions and credible management with good balance sheets.
ALS, Amcor, APM Human Services, Aristocrat Leisure, Carsales, CSL, James Hardie Industries, ResMed, Liberty Group and SiteMinder

2. Businesses that are highly cyclical or seasonal in nature, that have faced headwinds

Heavily discounted companies with strong market positions and strategic assets, but very sensitive to economic conditions/seasonality/weather.
Ampol, Ansell, GrainCorp, Orica and Reliance Worldwide Group

3. Turnarounds

Sound businesses that have historically generated poor returns, have been badly managed, resulting in poor execution of strategy and have under-earned versus their potential. These stocks are in transition and we think earnings/returns will improve over the medium term. Out of favour with the market, somewhat contrarian positions.
Janus Henderson, Seven West Media and United Malt

4. Deep Value Resource Plays

Stocks trading at discounts to NPVs, where much of the heavy lifting has been done (cost out, self help deleveraging). The commodity cycle is still positive, paving the way for healthy dividends.
Alumina, BHP Group and Deterra Royalties

We are truly grateful for, and appreciate your continued support.

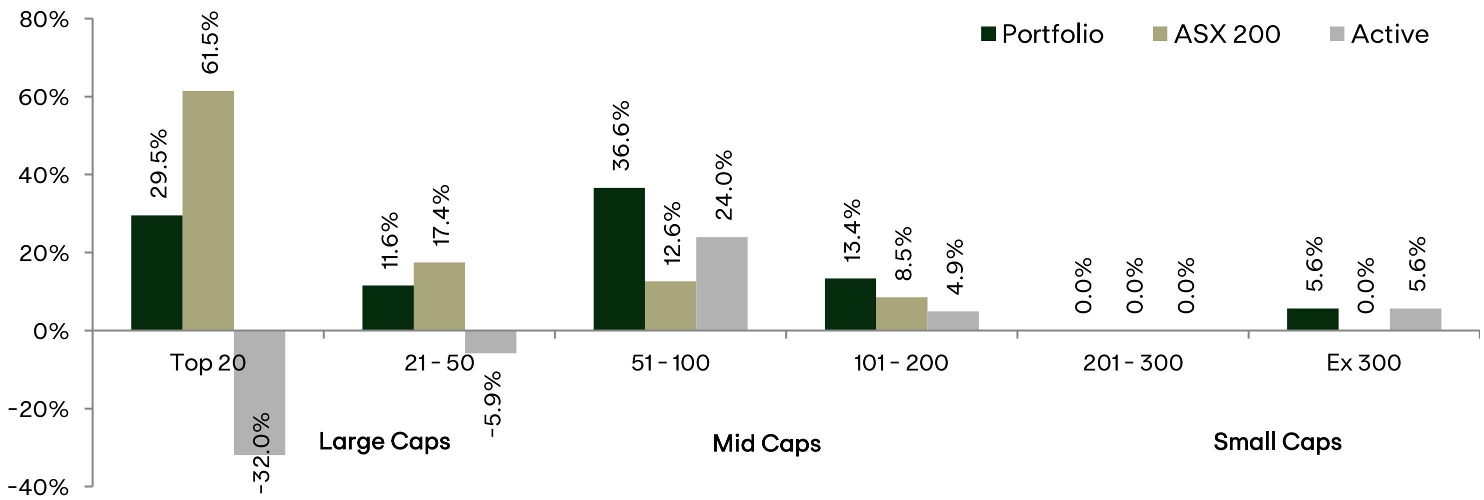
Warm Regards,

Chris Kourtis

Portfolio Manager

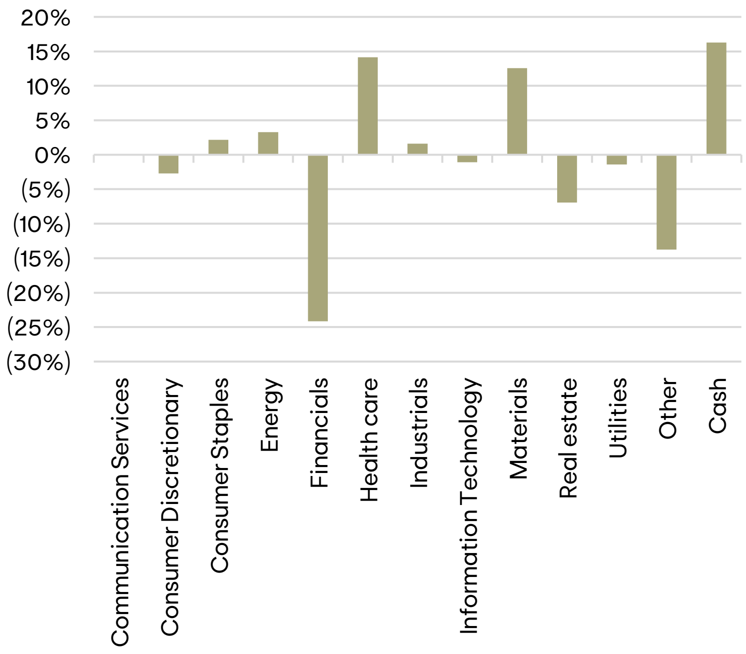
PORTFOLIO FEATURES

Size comparison Chart vs ASX 200^



^Size Comparison Data as at 29 April 2022.
Source: Bloomberg, Ellerston Capital Limited.

Active Sector Exposures*



Source: Ellerston Capital Limited.

TOP 10 HOLDINGS**
ALUMINA
AMCOR
AMPOL
ANSELL
BHP GROUP
CSL
JAMES HARDIE INDUSTRIES
JANUS HENDERSON GROUP
RELIANCE
RESMED

Asset Class Exposures

Exposure (% of NAV)	Net
Equity	97.48
Long Option	0.00
Short Option	-13.77
Effective Cash	16.29
Grand Total	100.00

* Active sector exposures are determined by subtracting Fund sector weights from benchmark weights. Positive percentages represent over-weight sector exposures relative to benchmark and negative percentages represent under-weight sector exposures relative to the benchmark.
** Top 10 Holdings are listed in alphabetical order.

ABOUT THE ELLERSTON OVERLAY ASF

The Fund aims to achieve its performance objectives by adopting a fundamental "bottom-up" investment approach to stock selection which is focused on identifying and then constructing a portfolio of the highest conviction ideas.

Investment opportunities for the Fund are identified by analysing and understanding the factors affecting (amongst other things): business model, industry structure, management team and overall valuation. Ellerston Capital typically favours businesses that can sustain high returns or improve their return on capital and looks to invest in businesses with a market value below the value we attribute to them.

Benchmark weightings do not drive our stock decisions, our approach is totally benchmark independent.

Due to the high conviction nature of the portfolio and the resulting deviation in portfolio composition relative to benchmark weighting, it is expected that the returns from the Fund will differ significantly from the broader market indices.

FUND FACTS

STRATEGY FUNDS UNDER MANAGEMENT	$215.0 Million
FUNDS UNDER MANAGEMENT – OASF UNIT TRUST	$9.7 Million
APPLICATION PRICE	$1.3327
REDEMPTION PRICE	$1.3261
NUMBER OF STOCKS	22
INCEPTION DATE	1 July 2011

Source: Ellerston Capital.

Contact Us

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Find out more

For new or additional applications into the Fund, please click here.

Should investors have any questions or queries regarding the Fund, please contact our Investor Relations team on **02 9021 7701** or **info@ellerstoncapital.com** or visit us at **ellerstoncapital.com**

All holding enquiries should be directed to our register, Link Market Services on **1800 992 149** or **ellerston@linkmarketservices.com.au.**